



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

January 17, 1973

At its meeting on January 16, 1973, the Federal Open Market Committee approved actions to rescind the Committee's By-Laws, revise the Committee's Regulation Relating to Open Market Operations of Federal Reserve Banks and its Rules of Organization and Rules of Procedure, and amend its Rules Regarding Availability of Information. Enclosed for your information are copies of the revised or amended documents in the format in which they will be published in the Federal Register. (It may be noted that the format of the Rules of Organization is different from that of the other documents; this is because it is the practice of the Federal Register not to codify rules of organization of Government agencies in the Code of Federal Regulations.)

Apart from the difference in format, the documents are the same as those attached to the staff committee's Report of January 4, 1973, except for a few minor technical changes.

As indicated in my wire of today, the revised documents will be printed here in the usual form. They will be available in the near future.

Very truly yours,

A handwritten signature in cursive script, reading "Arthur L. Broida".

Arthur L. Broida
Deputy Secretary
Federal Open Market Committee

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

TITLE 12 - BANKS AND BANKING

CHAPTER II - FEDERAL RESERVE SYSTEM

SUBCHAPTER B - FEDERAL OPEN MARKET COMMITTEE

PART 270 - OPEN MARKET OPERATIONS OF FEDERAL RESERVE BANKS

Revision of Regulation

1. Effective February 1, 1973, Part 270 is revised to read as follows:

REGULATION RELATING TO OPEN MARKET OPERATIONS
OF FEDERAL RESERVE BANKS

Sec.

270.1 Authority.

270.2 Definitions.

270.3 Governing principles.

270.4 Transactions in obligations.

AUTHORITY: §§ 270.1 to 270.4 issued under sec. 8, 48 Stat. 168, as amended; 12 U.S.C. § 263.

§ 270.1 Authority.

This Part is issued by the Federal Open Market Committee (the "Committee") pursuant to authority conferred upon it by sections 12A and 14 of the Federal Reserve Act (12 U.S.C. §§ 263, 355).

§ 270.2 Definitions.

(a) The term "obligations" means Government securities, U. S. agency securities, bankers' acceptances, bills of exchange, cable transfers, bonds, notes, warrants, debentures, and other obligations that Federal Reserve Banks are authorized by law to purchase and sell.

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(b) The term "Government securities" means direct obligations of the United States (i.e., U. S. bonds, notes, certificates of indebtedness, and Treasury bills) and obligations fully guaranteed as to principal and interest by the United States.

(c) The term "U. S. agency securities" means obligations that are direct obligations of, or are fully guaranteed as to principal and interest by, any agency of the United States.

(d) The term "System Open Market Account" means the obligations acquired pursuant to authorizations and directives issued by the Committee and held on behalf of all Federal Reserve Banks.

§ 270.3 Governing principles.

As required by section 12A of the Federal Reserve Act, the time, character, and volume of all purchases and sales of obligations in the open market by Federal Reserve Banks are governed with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country.

§ 270.4 Transactions in obligations.

(a) Each Federal Reserve Bank shall engage in open market operations under section 14 of the Federal Reserve Act only in accordance with this Part and with the authorizations and directives issued by the Committee from time to time, and no Reserve Bank shall decline to engage in open market operations as directed by the Committee.

(b) Transactions for the System Open Market Account shall be executed by a Federal Reserve Bank selected by the Committee. The participations of the several Federal Reserve Banks in such Account and in the

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profits and losses on transactions for the Account shall be allocated in accordance with principles determined by the Committee from time to time.

(c) In accordance with such limitations, terms, and conditions as are prescribed by law and in authorizations and directives issued by the Committee, the Reserve Bank selected by the Committee is authorized and directed -

(1) To buy and sell Government securities and U. S. agency securities in the open market for the System Open Market Account, and to exchange maturing securities with the issuer;

(2) To buy and sell bankers' acceptances of the kinds made eligible for purchase under Part 202 of this chapter [Regulation B] in the open market for its own account;

(3) To buy Government securities, U. S. agency securities, and bankers' acceptances of the kinds described above, under agreements for repurchase of such obligations, in the open market for its own account; and

(4) To buy and sell foreign currencies in the form of cable transfers in the open market for the System Open Market Account and to maintain for such Account reciprocal currency arrangements with foreign banks among those designated by the Board of Governors of the Federal Reserve System under § 214.5 of this chapter [Regulation N].

(d) In accordance with such limitations, terms, and conditions as are prescribed by law and in authorizations and directives issued by the Committee, the Reserve Bank selected by the Committee (or, if that

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Bank is closed, any other Federal Reserve Bank) is authorized and directed, for its own account or the System Open Market Account, to purchase directly from the United States such amounts of Government securities as may be necessary from time to time for the temporary accommodation of the Treasury Department.

(e) The Federal Reserve Banks are authorized and directed to engage in such other operations as the Committee may from time to time determine to be reasonably necessary to the effective conduct of open market operations and the effectuation of open market policies.

2a. The purposes of this revision are to correct certain inaccuracies in the Regulation of the Federal Open Market Committee relating to open market operations of the Federal Reserve Banks, to take account of developments since the last revision of that Regulation, and to describe more fully, for the information of the public, the nature of open market operations engaged in by the Federal Reserve Banks pursuant to authorization or direction of the Federal Open Market Committee.

b. The provisions of section 553 of Title 5, United States Code, relating to notice and public participation and to deferred effective dates, are not followed in connection with the adoption of this action, because the changes made by this revision are of a technical and clarifying nature or are designed to describe more fully the open market operations of the Federal Reserve Banks, and because the Committee felt that following the

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procedures prescribed by such provisions would be unnecessary and would serve no useful purpose.

By order of the Federal Open Market Committee, January 16 , 1973.

(Signed) Robert C. Holland

Robert C. Holland
Secretary

FEDERAL RESERVE SYSTEM
FEDERAL OPEN MARKET COMMITTEE
Rules of Organization

Effective February 1, 1973, the Rules of Organization of the Federal Open Market Committee are amended to read as follows:

RULES OF ORGANIZATION

Sec.

1. Authority.
2. Composition of Committee.
3. Chairman and Vice Chairman.
4. Staff.
5. Manager and Special Manager.

SECTION 1. Authority. These rules are issued by the Federal Open Market Committee (the "Committee") pursuant to the requirement of section 552 of Title 5 of the United States Code that every agency shall publish in the Federal Register a description of its central and field organization.

SEC. 2. Composition of Committee. - (a) Members. The Committee consists of the seven members of the Board of Governors of the Federal Reserve System (the "Board") and five representatives of the Federal Reserve Banks, each of whom is a President or a First Vice President of a Reserve Bank.

(b) Reserve Bank representatives. The representatives of the Federal Reserve Banks, and an alternate for each representative, are elected by the boards of directors of the Reserve Banks in accordance with section 12A of the Federal Reserve Act (12 U.S.C. § 263) for terms of one year commencing

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on March 1 of each year. Prior to the first meeting of the Committee on or after March 1 of each year, each member of the Committee representing the Federal Reserve Banks shall cause a record of his election and of the election of his alternate to be forwarded to the Secretary of the Committee. If any question is raised as to the election or eligibility of a member or alternate, the Committee determines such question before such member or alternate participates in a meeting of the Committee. In the event a member is absent from a meeting of the Committee, his alternate, in attending the meeting, shall have the same status as the member for whom he is serving. If a member or alternate ceases to be a President or First Vice President of a Reserve Bank, a successor may be chosen in a special election by the boards of directors of the appropriate Reserve Bank or Banks and such successor serves until the next annual election.

(c) Oath of office. Each member of the Committee and each alternate take the same oath of office as that prescribed by statute to be taken by officers of the United States.

SEC. 3. Chairman and Vice Chairman. At its first meeting on or after March 1 of each year, the Committee elects a Chairman and a Vice Chairman from among its membership. The Chairman presides at all meetings of the Committee and performs such other duties as the Committee may require. The Vice Chairman performs the duties of the Chairman in the absence of the Chairman. In the absence of both the Chairman and the Vice Chairman of the Committee, the Vice Chairman of the Board acts as Chairman of the Committee; and, in the absence of the Chairman and the Vice Chairman of the Committee and the Vice

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Chairman of the Board, the member of the Board present with the longest service as a member of the Board acts as Chairman of the Committee.

SEC. 4. Staff. - (a) Selection of staff officers. At its first meeting on or after March 1 of each year, the Committee selects, from among the officers and employees of the Board and the Federal Reserve Banks, the following staff officers to serve until the first meeting on or after March 1 of the next following year: Secretary, Deputy Secretary, and one or more Assistant Secretaries; General Counsel and one or more Assistant General Counsel; and Economists, one or more of whom may be designated as Senior or Associate Economists or given titles reflecting their areas of particular specialization.

(b) Secretary and Deputy and Assistant Secretaries. The Secretary keeps minutes of actions and records of discussions at all meetings of the Committee; he maintains a complete record of the actions taken by the Committee upon all questions of policy relating to open market operations; and he records the votes taken in connection with the determination of open market policies and the reasons underlying each such action. He has custody of such minutes and records, and he performs such other duties as the Committee may require. In the absence of the Secretary of the Committee, the Deputy Secretary or an Assistant Secretary acts as Secretary pro tem.

(c) Economists. The Economists prepare for the use of the Committee and present to it such information regarding business and credit conditions and domestic and international economic and financial developments as will assist the Committee in the determination of open market policies, and they perform such other duties as the Committee may require.

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(d) General Counsel and Assistant General Counsel. The General Counsel furnishes such legal advice as the Committee may require. In the absence of the General Counsel, an Assistant General Counsel acts as General Counsel pro tem.

(e) Filling of vacancies. At any meeting the Committee may fill any vacancy in the offices described in this section.

(f) Other staff assistance. The services of any officers and employees of the Board and the Federal Reserve Banks are made available and are utilized by the Committee as required.

SEC. 5. Manager and Special Manager. The Committee selects a Manager of the System Open Market Account and a Special Manager for Foreign Currency Operations for such Account, both of whom shall be satisfactory to the Federal Reserve Bank selected by the Committee to execute open market transactions for such Account, and both of whom serve at the pleasure of the Committee. The Manager and Special Manager keep the Committee informed on market conditions and on transactions they have made and render such reports as the Committee may specify.

By order of the Federal Open Market Committee, January 16, 1973.

(Signed) Robert C. Holland

Robert C. Holland
Secretary

TITLE 12 - BANKS AND BANKING
CHAPTER II - FEDERAL RESERVE SYSTEM
SUBCHAPTER B - FEDERAL OPEN MARKET COMMITTEE
PART 272 - RULES OF PROCEDURE

Revision of Rules

1. Effective February 1, 1973, Part 272 is revised to read as follows:

RULES OF PROCEDURE

Sec.

272.1 Authority.

272.2 Functions of the Committee.

272.3 Meetings.

272.4 Committee actions.

272.5 Notice and public procedure.

§ 272.1 Authority.

This Part is issued by the Federal Open Market Committee (the "Committee") pursuant to the requirement of section 552 of Title 5 of the United States Code that every agency shall publish in the Federal Register its rules of procedure.

§ 272.2 Functions of the Committee.

The procedures followed by the Committee are designed to facilitate the effective performance of the Committee's statutory functions with respect to the regulation and direction of open market operations conducted by the Federal Reserve Banks and with respect to certain direct transactions between the Reserve Banks and the United States. In

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determining the policies to be followed in such operations, the Committee considers information regarding business and credit conditions and domestic and international economic and financial developments, and other pertinent information gathered and submitted by its staff and the staffs of the Board of Governors of the Federal Reserve System (the "Board") and the Federal Reserve Banks. Against the background of such information, the Committee takes actions from time to time to regulate and direct the open market operations of the Reserve Banks. Such policy actions ordinarily are taken through the adoption and transmission to the Federal Reserve Banks of regulations, authorizations, and directives.

§ 272.3 Meetings.

(a) Place and frequency. The Committee meets in Washington, D. C., at least four times each year and oftener if deemed necessary. Meetings are held upon the call of the Chairman of the Board or at the request of any three members of the Committee. Notices of calls by the Chairman of the Board to other members are given by the Secretary of the Committee in writing or by telegram. Requests of any three members for the calling of a meeting shall state the time therefor and shall be filed in writing or by telegram with the Secretary who shall forthwith notify all members of the Committee in writing or by telegram. When the Secretary has sent notices to all members of the Committee that a meeting has been requested by three members and of the time therefor, a meeting is deemed to have been called. If, in the judgment of the Chairman, circumstances require that a meeting be called at

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such short notice that one or more members cannot be present in Washington, such members may participate in the meeting by telephone conference arrangements.

(b) Alternates. Whenever any member of the Committee representing Federal Reserve Banks shall find that he will be unable to attend a meeting of the Committee, he shall promptly notify his alternate and the Secretary of the Committee in writing or by telegram, and upon receipt of such notice the alternate shall advise the Secretary whether he will attend such meeting.

(c) Quorum. Seven members (including alternates present and acting in the absence of members) constitute a quorum for the transaction of business; but less than a quorum may adjourn from time to time until a quorum is in attendance.

(d) Attendance at meetings. Attendance at Committee meetings is restricted to members and alternate members of the Committee, the Presidents of Federal Reserve Banks who are not at the time members or alternates, staff officers of the Committee, the Manager and Special Manager, and such other advisers as the Committee may invite from time to time.

(e) Meeting agendas. The Secretary, in consultation with the Chairman, prepares an agenda of matters to be discussed at each meeting and the Secretary transmits the agenda to the members of the Committee within a reasonable time in advance of such meeting. In general, the agendas include approval of minutes of actions and acceptance of memoranda of discussion for previous meetings; reports by the Manager and Special Manager on open market operations since the previous meeting, and ratification by the Committee of such operations; reports by Economists on, and

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Committee discussion of, the economic and financial situation and outlook;
Committee discussion of monetary policy and action with respect thereto;
and such other matters as may be considered necessary.

§ 272.4 Committee actions.

(a) Actions at meetings. Actions are taken at meetings of the
Committee except as described below.

(b) Actions between meetings. Special circumstances may make it
desirable in the public interest for Committee members to consider an action
to modify an outstanding Committee authorization or directive at a time when
it is not feasible to call a meeting. Whenever, in the judgment of the
Chairman, such circumstances have arisen, the relevant information and
recommendations for action are transmitted to the members by the Secretary,
and the members communicate their votes to the Secretary. If the action is
approved by a majority of the members, advice to that effect is promptly
given by the Secretary to the members of the Committee and to the Reserve
Bank selected to execute transactions for the System Open Market Account.
All communications of recommended actions and votes under this paragraph
shall be in writing or by telegram; provided that, in exceptional cases
when that is not feasible, such communications may be made orally, either
in person or by telephone, and the Secretary shall cause a written record
to be made without delay. An action taken between meetings has the force
and effect of an action at a meeting; provided, however, that if a meeting
is held before the execution of any operations pursuant to the action, the
action is null and void unless it is ratified and confirmed by the Committee
at such meeting.

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(c) Delegations of authority. In special circumstances, the Committee may delegate authority to take an action, subject to such instructions or guidelines as the Committee deems proper. Such delegations of authority may be made to the Chairman; to a subcommittee consisting of the Chairman and the Vice Chairman of the Committee and the Vice Chairman of the Board (or in the absence of the Chairman or of the Vice Chairman of the Board the members of the Board designated by the Chairman as alternates, and in the absence of the Vice Chairman of the Committee his alternate); or to any other member or members of the Committee. An action taken pursuant to such a delegation of authority has the force and effect of an action taken by the Committee.

(d) Effective date. Committee action ordinarily is made effective as of the time it is taken because the nature of the subject matter and the action taken is such that the public interest and the proper discharge of the Committee's responsibilities so require. Occasionally, however, the Committee may specify that an action is to be effective at some different time.

§ 272.5 Notice and public procedure.

There ordinarily is no published notice of proposed action by the Committee or public procedure thereon, as described in section 553 of Title 5 of the United States Code, because such notice and procedure are impracticable, unnecessary, or contrary to the public interest.

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2a. This action is taken pursuant to and in accordance with the provisions of section 552 of Title 5 of the United States Code.

b. The purposes of this revision are to bring the Rules of Procedure of the Federal Open Market Committee into accordance with current practices and to make them more informative to the public.

c. The provisions of section 553 of Title 5, United States Code, relating to notice and public participation and to deferred effective dates, are not followed in connection with the adoption of this action, because the rules involved are procedural in nature and accordingly do not constitute substantive rules subject to the requirements of such section.

By order of the Federal Open Market Committee, January 16, 1973.

(Signed) Robert C. Holland

Robert C. Holland
Secretary

TITLE 12 - BANKS AND BANKING

CHAPTER II - FEDERAL RESERVE SYSTEM

SUBCHAPTER B - FEDERAL OPEN MARKET COMMITTEE

PART 271 - RULES REGARDING AVAILABILITY OF INFORMATION

1. Effective February 1, 1973, Part 271 is amended in the following respects:

Section 271.1 is amended by changing the heading to read "AUTHORITY" instead of "BASIS AND SCOPE".

Paragraph (a) of § 271.2 is amended by inserting after the words "the Board of Governors of the Federal Reserve System" the following: "(the 'Board')".

Wherever the words "Board of Governors of the Federal Reserve System" appear in Part 271 after paragraph (a) of § 271.2, they are changed to read "Board".

Paragraph (a) of § 271.3 is amended by inserting the words "Title 5 of" immediately before the words "the United States Code".

The second sentence of paragraph (a) of § 271.5 is amended by adding after the words "and no information in the records of the Committee relating to the adoption of any such directive is made available for public inspection or copying before it is published in the Federal Register" the words "or is otherwise released to the public by the Committee."

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2a. This action is taken pursuant to and in accordance with the provisions of section 552 of Title 5 of the United States Code.

b. The purposes of these amendments are to correct a reference to the United States Code, to correct a technical inaccuracy with respect to the availability of records of the Committee to the public, and to make certain editorial changes.

c. The provisions of section 553 of Title 5, United States Code, relating to notice and public participation and to deferred effective dates, are not followed in connection with the adoption of this action, because the rules involved are procedural in nature and accordingly do not constitute substantive rules subject to the requirements of such section.

By order of the Federal Open Market Committee, January 16, 1973.

(Signed) Robert C. Holland

Robert C. Holland
Secretary